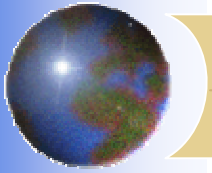


Building Competitive Advantage in Nations

Kenneth A. Lanza
Deputy Director
Bureau for Europe and Eurasia (EE/MT)
U.S Agency for International Development
February 5, 2002



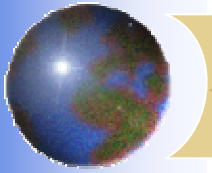
Why is Competitiveness Emerging as the #1 Issue for Leaders?

Transition to a Market Economy Requires:

- Privatization
- Liberalization of Financial/Trade Regimes
- Creation of the Productive Sectors
- Adoption/Application of International Standards

Framed and Influenced by:

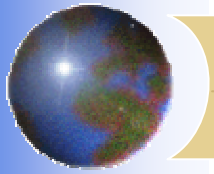
- Technological Change
- Globalization



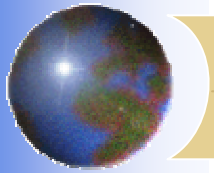
Globalization: Victors or Victims?

- ✦ Globalization is not optional*
- ✦ Pace of change has accelerated*
- ✦ Technology is driving change*
- ✦ International Standards are being established*
- ✦ Financial markets lift or bring down nations*
- ✦ Achieving competitiveness is key to security
- ✦ Not size of missiles but speed of computers

Source: Thomas Friedman, The Lexus and the Olive Tree, 1999



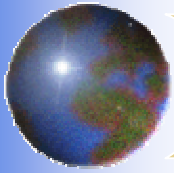
What is Competitiveness?



Competitiveness Is...

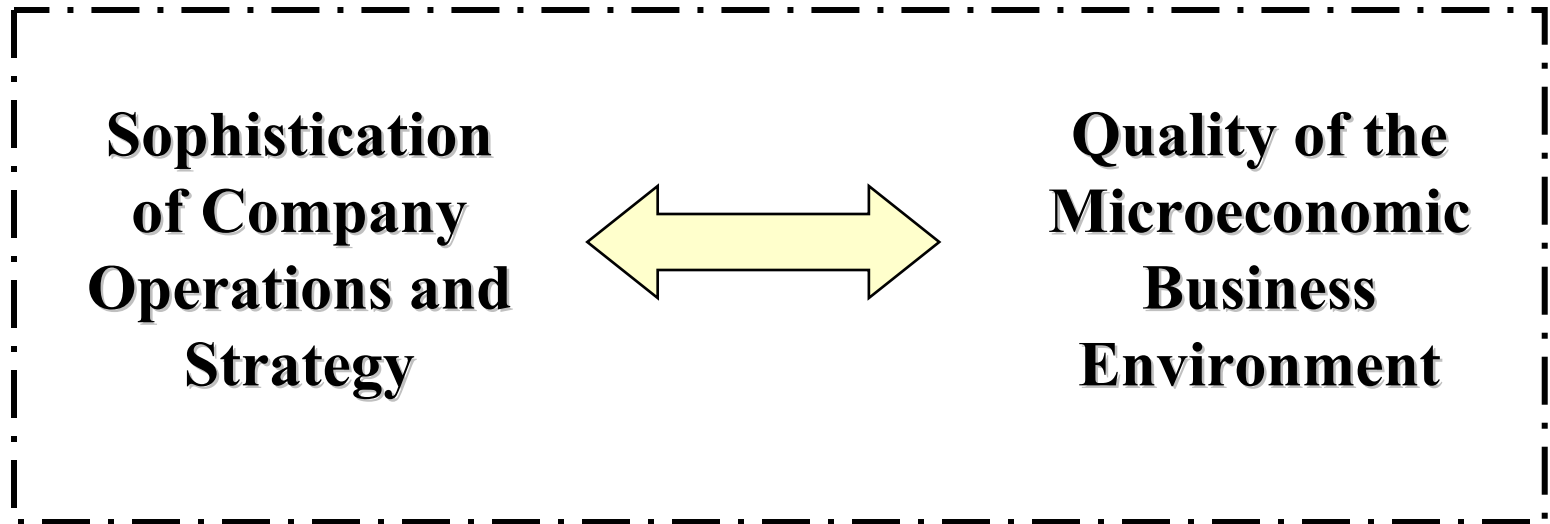
Sustained Growth in Productivity leading to an increase in standard of living, driven by:

- ✚ The Quality of Business Strategy and Operations
- ✚ Quality of the Business Environment
- ✚ MACRO Economic Environment



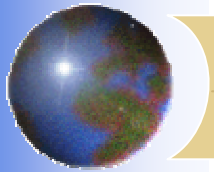
The New Competitiveness Paradigm

Political, Legal, and Macroeconomic Context

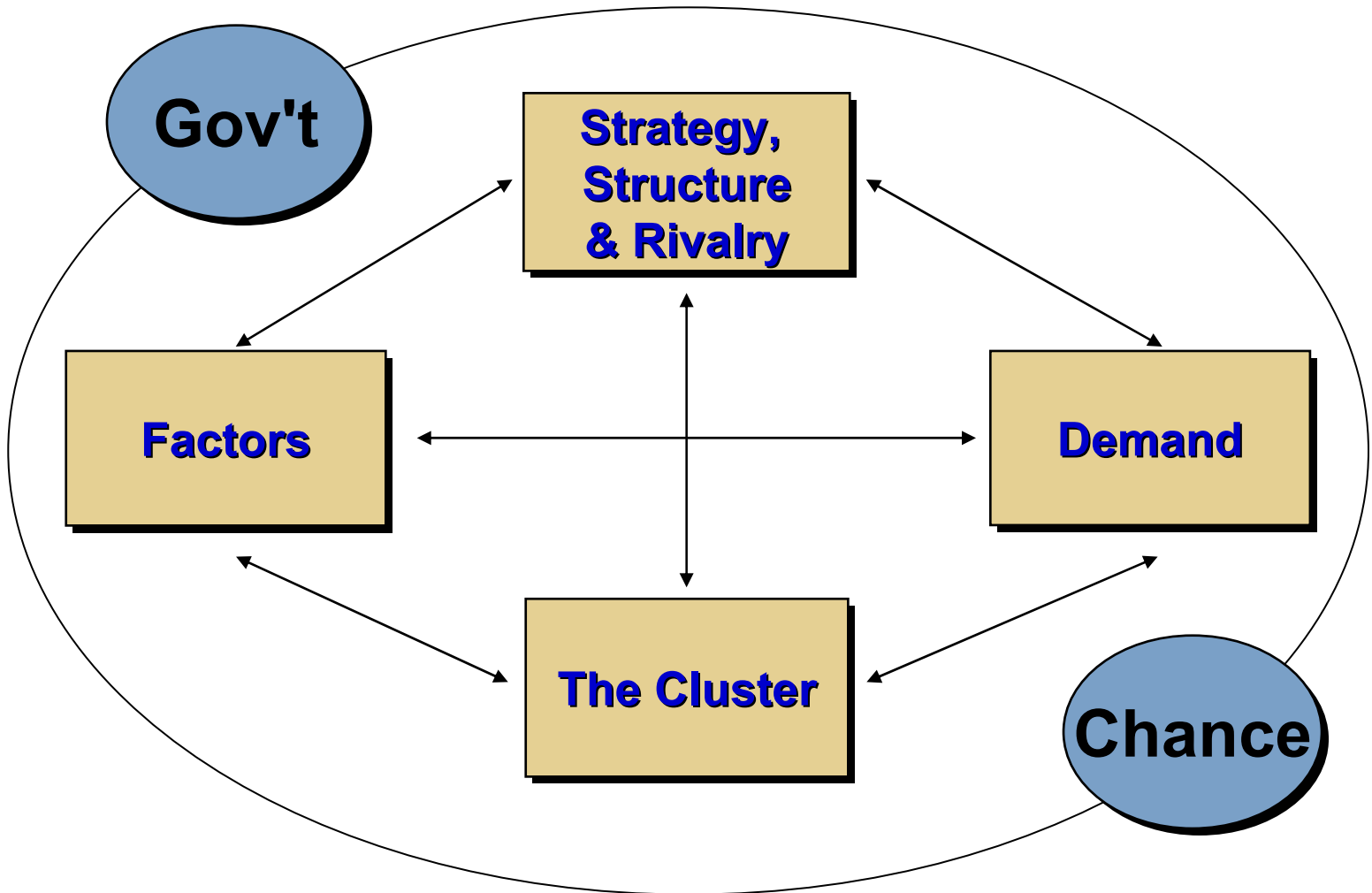


Microeconomic Foundations

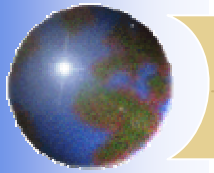
Source: Michael Porter, 1998



The Competitiveness Diamond

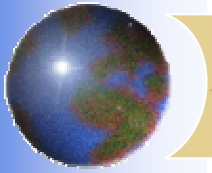


Source: Michael Porter



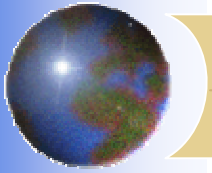
USAID's Competitiveness-Building Process

- ✿ Croatia, Romania, Macedonia, Bulgaria, Mongolia, Uganda, Sri Lanka, Dominican Republic, Honduras, Thailand, Philippines, Indonesia (Exploring Russia and Ukraine)
- ✿ Initial Presentations
- ✿ Competitiveness Workshops
- ✿ Cluster Studies
- ✿ Final Presentations



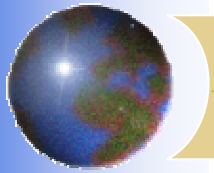
Initial Presentation

- ✚ Present to Leadership Groups
- ✚ Work with Industry Clusters
- ✚ Test Relevance and Receptivity
- ✚ Identify Local Champions
- ✚ Utilize Media
- ✚ Incorporate Universities



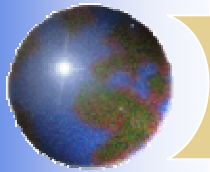
Campaign for Competitiveness

- ✦ Cluster Analysis
- ✦ Review of Sectors
- ✦ Macro and Micro Environments
- ✦ Dialogue Mechanisms
- ✦ Second round of presentations



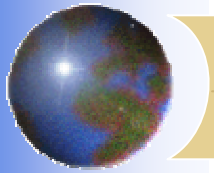
Results of Initial Exercise

- ✦ Institutionalized Dialogue Initiated
- ✦ Sound Data and Analysis Provided
- ✦ Private and Public Champions Emerge
- ✦ Demand from Industries Evident
- ✦ “Mindset” is beginning to change
- ✦ Beginning of a Shared Vision
- ✦ Clear Opportunities for Action



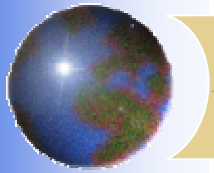
Long-Term Support/Follow-up

- ✚ Cluster Coaching
- ✚ Policy Reform
- ✚ Institutional Dialogue
- ✚ Introduce Workforce Development
 - ✚ Example: Mongolia
 - Cashmere, IT, Meat and Tourism
 - Policy and Institutional Reform
 - Media and Education
 - ✚ Example: Sri Lanka
 - Tea, Rubber, IT, Tourism
 - BOI, IPS



SHORT TERM RESULTS: The Sri Lanka Case (18 months of implementation)

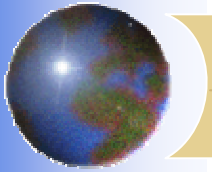
- ✦ 5 Cluster Strategies Developed
- ✦ 5 Industries supporting Full Time Cluster Coordinators
- ✦ IPS created Competitiveness Unit
- ✦ Cluster attracting TA for Other Donors and Industry Resources
- ✦ BOI restructuring
- ✦ Cluster approaching government jointly with strategic recommendations



Croatian Competitiveness Initiative (CCI)

The CCI five critical roles:

- **Convening Authority:** Brought various (Labor, Gov't, Bus) parties to the table, which would not have occurred had the workshops been called by either Government or business;
- **Generated Exposure:** Brought in leaders of the world's most successful competitiveness councils;
- **Created Agenda:** Created an Action agenda and provided the staff support to implement that agenda (i.e., removal of administrative barriers to foreign investment);
- **Identified Opportunities:** Identified sectors of the economy such as tourism, furniture manufacture, and IT that could be repositioned to compete more effectively in regional and world markets;
- **Promulgated Co-option:** Extended the approach to secondary cities, where, in the city of Bjelovar, the first competitiveness council is in the process of formation.



Croatian Competitiveness Initiative (CCI)

The Council has developed six action initiatives:

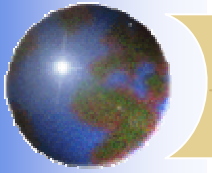
Changing mindsets: continue to collaborate with a local organizations on to undertake a National Competitiveness Conference;

Legal system: pursue opportunities to collaborate with a newly-formed Advisory Council of Commercial Court Justices in the area of commercial law reform;

Channel for dialogue: pursue a formal understanding by which the Government of Croatia recognizes the Council as a channel for institutionalized private-public dialogue;

Slow response to FDI: develop a national strategy and appropriate structures for the attraction of FDI;

“Bad management”: collaborate with local organizations and particularly the Croatian Employers’ Association to develop executive training programs; and



“The central challenge to the world economy is now micro reform.

...Improving the sophistication of companies and the quality of the business environment are the **only way to produce real improvements** in efficiency, product quality and opportunity for entrepreneurs and citizens.”

Micheal Porter; World Competitiveness Report, 2000.